

Beginning Farmer Tax Credit Act



**Fourth Annual Report
July 2002 - June 2003**

**Nebraska Department of Agriculture
Beginning Farmer Program**

ANNUAL REPORT

Beginning Farmer Program and Tax Credit Act
July 1, 2002 - June 30, 2003

Table of Contents

1. Board of Directors
 - President's Report
 - Administrator's Notes
 - Board Members and Staff
 - Beginning Farmer Board Participation
2. Financial Report
 - July 1, 2002 - June 30, 2003 Financial Report
3. Beginning Farmer Program Participation
 - Participation
 - Participant Statistics As Reported for the Fiscal Year
 - Participant Statistics As Reported for the Tax Year
 - Program Inquiries
4. Promotional Activities
 - Outreach Activities
 - Logo

*Board
of
Directors*

A Message

From the

Board President

It has been my privilege to serve as Chair of the Beginning Farmer Board this past fiscal year. My responsibilities were simplified and made more enjoyable because of very involved Board members and excellent support from staff members of the Nebraska Department of Agriculture.

Our Board met four times in the past year. The board receives a great deal of pleasure when, after reviewing a lease with a beginning farmer, we are able to certify the eligibility of the owner to receive a tax credit.

We have had several interesting discussions at Board meetings regarding the future of agriculture and particularly the future of Beginning Farmers. Other representatives of state government and various agricultural programs have participated in the discussion with our Board. Our Board and staff are very excited about the accomplishments of our program. However, many concerns remain regarding the future of agriculture and the ability of beginning farmers to enter agriculture and succeed.

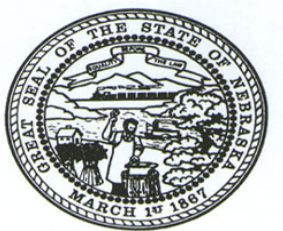
Sincerely,



Dale E. Pohlmann,

Chairman

Beginning Farmer
Board of Directors



Administrative Notes

It has been a joy to meet so many nice people at agricultural shows and meetings in Nebraska. Nebraska farmers and ranchers are truly some of the best people! Increased interest in the Beginning Farmer Tax Credit Act continues to be the topic of meetings and phone calls. Many Nebraskan's are concerned about the lack of producers who will continue the operations they have built. They want to see someone younger move into their way of life and be successful.

The current tax credit act is just the beginning step to provide an incentive for the owners of agricultural assets in Nebraska to look to the future and begin the transition of their assets to beginning farmers. Possible changes and additions to the tax credit act are being looked at to increase the number of people who may benefit from the program in order to have younger farmers who will take over the operations when the older farmers retire. Nebraska wants to keep agriculture healthy and viable in the future and that will depend upon how well we transition our assets to our younger farmers and ranchers.

The Board of Directors have been excellent to work with. They are deeply committed to Nebraska agriculture and are working towards solutions that will make a difference for beginning farmers and ranchers. They have always kept the farmers and ranchers in mind as they have developed the regulations.

The paperwork has been kept to a minimum while still maintaining complete confidence that the act is followed in every way. In cooperation with the Nebraska Department of Revenue, a certificate and an efficient process has been developed to claim the tax credit on the agricultural asset owners tax return.

The Nebraska Department of Agriculture has added a "Beginning Farmer" link to the home page of their web site (www.agr.state.ne.us). Users will be able to access general information about the Beginning Farmer Program in addition to, the annual report, the Beginning Farmer Tax Credit Act, the regulations, and the application forms.

I have been encouraged by the number of people who really want to help someone get started in farming and ranching and of the number of young people who really want to farm or ranch. Our number of participants will continue to increase as more people learn of the program and the benefits it offers!

Marian Beethe, Administrator

Members of the Board of Directors

Name	Representing	Contact Information
Merlyn Carlson	Director Nebraska Department of Agriculture	P.O. Box 94947 Lincoln, NE 68509-4947 (402) 471-2341
Greg Ibach (Designee)	Assistant Director Nebraska Department of Agriculture	P.O. Box 94947 Lincoln, NE 68509-4947 (402) 471-2341
Mary Jane Egr	Tax Commissioner Nebraska Department of Revenue	P.O. Box 94818 Lincoln, NE 68509-4818 (402)471-5604
Dave Dearmont (Designee)	Research Division Nebraska Department of Revenue	P.O. Box 94818 Lincoln, NE 68509-4818 (402)471-5604
Roy Frederick	Academic Community UNL Professor, Agricultural Economics	UNL East Campus 207 B Filley Hall Lincoln, NE 68583 (402) 472-6225
Dale Pohlmann	Agricultural Lender, President of the Board	P.O. Box 40 Ravenna, NE 68869
Harry Knobbe	Producer, District 1 Vice President of the Board	596 - 15 th Road West Point, NE 68788 (402) 372-3073
Timothy Schram	Producer, District 2	14602 South 234 th Street Gretna, NE 68028 (402) 332-3625
Bill Zutavern	Producer, District 3	P.O. Box 158 Dunning, NE 68833 (308) 538-2244

Staff Member

Marian Beethe	Program Administrator	P. O. Box 94947 Lincoln, NE 68509-4947 (402) 471-6890
---------------	-----------------------	---

Beginning Farmer Board Participation

July 1, 2002 - June 30, 2003

Meeting Date	Members Attending	Guests Attending	Staff Attending
August 14, 2002	Dave Dearmont Greg Ibach Harry Knobbe Dale Pohlmann Bill Zutavern	Paul Cernik, Farm Service Agency Dave Goeller, UNL, Transition Specialist Robert Jedlicka, Farm Service Agency Joy Johnson, Center for Rural Affairs	Marian Beethe Joanne Komenda
November 20, 2002	Dave Dearmont Greg Ibach Roy Fredrick Dale Pohlmann	Edward Narigon, Farm Credit Services Bob Campbell, Farm Credit Services	Marian Beethe Joanne Komenda
January 22, 2003	Dave Dearmont Greg Ibach Roy Fredrick Harry Knobbe Dale Pohlmann Timothy Schram	Dudley Beyer, Nebraska Investment Finance Authority John Hanson, Congressman Osborne's Office Art Hovey, Lincoln Journal Star Robert Jedlicka, Farm Service Agency Joy Johnson, Center for Rural Affairs Tom Osborne, U.S. Congressman, 3 rd District Patricia Peterson, Kutak-Rock Tania Stewart, Legislative Aide (<i>Senator Roger Wehrbein, District 2</i>)	Marian Beethe Joanne Komenda
April 16, 2003	Dave Dearmont Roy Fredrick Harry Knobbe Dale Pohlmann Timothy Schram	Tania Stewart, Legislative Aide (<i>Senator Roger Wehrbein, District 2</i>)	Marian Beethe Joanne Komenda

Financial Report

Beginning Farmer Tax Credit Act
Financial Report
JULY 1, 2002 - June 30, 2003

Account Code Description	Budgeted Amount	Year-To- Date	% of Budget	Variance- Favorable (Unfavorable)
<u>510000 Personal Services</u>				
511100 Permanent Salaries-Wages	\$25,861.00	\$24,681.17	104.78	(\$1,179.83)
512100 Vacation Leave Expense	0.00	1,291.03		(1,291.03)
512200 Sick Leave Expense	0.00	340.39		(340.39)
512300 Holiday Leave Expense	0.00	921.27		(921.27)
 <u>Personal Services Subtotal</u>	 <u>\$25,861.00</u>	 <u>\$27,233.86</u>	 <u>105.30</u>	 <u>(\$3,732.52)</u>
 515100 Retirement Plans Expense	 .00	 1,820.16		 (1,820.16)
515200 OASDI Expense	.00	1,940.98		(1,940.98)
 515400 Life & Accident Ins. Exp.	 .00	 18.14		 (18.14)
 515500 Health Ins. Exp.	 .00	 5,205.11		 (5,205.11)
516300 Employee Assistance Prog.	.00	13.85		(13.85)
516500 Worker Comp Premiums	.00	619.62		(619.62)
 <u>Major Account 4100 Total</u>	 <u>\$34,970.00</u>	 <u>\$36,851.72</u>	 <u>105.38</u>	 <u>(\$1,881.72)</u>
 <u>520000 Operating Expenses</u>				
521100 Postage Expense		\$ 180.31		(180.31)
 521200 Communication Expense - voice/data		 561.61		 (561.61)
521290 Communication Expense - data only		7.62		(7.62)
 521400 Data Processing Expense		 4,432.43		 (4,432.43)
521500 Publication and Print Exp.		857.09		(857.09)
522200 Conference Registration Fee		406.40		(406.40)
531100 Office Supplies Expense		94.09		(94.09)
541100 Acctg & Auditing Services		56.90		(56.90)
 <u>Major Account 520000 Total</u>	 <u>\$7,822.75</u>	 <u>\$ 6,596.45</u>	 <u>84.32</u>	 <u>\$ 1,226.30</u>

570000 Travel Expense

571100 Board & Lodging	\$ 609.90	(609.90)
571600 Meals - Not Travel Status	109.07	(109.07)
572100 Commercial Transportation	380.03	(380.03)
575100 Personal Vehicle Mileage	1,097.15	(1,097.15)
575100 Misc Travel Expense	69.00	(69.00)

<u>Major Account 570000 Total</u>	<u>\$2,915.00</u>	<u>\$2,265.15</u>	<u>149.56</u>	<u>(\$ 649.85)</u>
-----------------------------------	-------------------	-------------------	---------------	--------------------

580000 Capital Outlay

<u>583300 Computer Hardware Equipment</u>	<u>33.02</u>	<u>(33.02)</u>
---	--------------	-----------------

<u>Major Account 580000 Total</u>	<u>33.02</u>	<u>(\$ 33.02)</u>
-----------------------------------	--------------	-------------------

<u>Budgeted Expenditures Total</u>	<u>\$45,707.45</u>	<u>\$ 45,746.34</u>	<u>100.08</u>	<u>(\$ 38.39)</u>
<u>Program Expenditures Total</u>	<u>\$45,707.45</u>	<u>\$ 45,746.34</u>	<u>100.08</u>	<u>(\$ 38.39)</u>

*Beginning
Farmer
Program
Participation*

Participation

The number of inquiries about the Beginning Farmer Program has increased again this year, but we still have a long way to go! One of the surprising statistics showed for the first time, that the number of agricultural asset owners (97) is more than the number of beginning farmers (95) who have inquired about the Beginning Farmer Program. Together, that is 192 farmers who have inquired just this year, but so far only 23 new application packets have been received for a 2003 tax credit. That is only 12% of the number of inquiries that have applied, but that percentage can increase since packets will be accepted until the end of the tax year.

The statistics are reported for both the governmental fiscal year and the Department of Revenue's tax year. The number of applications and the eligibility of the beginning farmers are kept according to the fiscal year they were received and determined eligible. Since the tax credits are paid according to the Department of Revenue's income tax year, the dollar amount of the tax credit is recorded according to the tax year. The number of beginning farmers who paid the rent and owners of agricultural assets who received the tax credits are also recorded according to the tax year to give a true picture of the average amount of rent paid and tax credits received.

Completed application packets (cases) have been received from twenty beginning farmers and owners of agricultural assets during the fiscal year 2003 (July 1, 2002 to June 30, 2003). Seventeen new beginning farmers and eighteen new owners of agricultural assets have been declared eligible during the fiscal year 2003. They represent twenty eligible cases. Two cases were declared ineligible and one case is in pending for approval.

Twenty eight owners of agricultural assets received \$46,678.61 Nebraska Income Tax Credits for the 2002 tax year.

A projection of \$65,780.26 in tax credits for the tax year 2003 have been listed for the applications that have been declared eligible thus far. Additional applications that are signed and dated before the end of the owners tax year may still be accepted to increase these amounts.

Participant Statistics

As Reported for the Fiscal Year

Fiscal Year Participation	July 1, 2000 to June 30, 2001	July 1, 2001 to June 30, 2002	July 1, 2002 to June 30, 2003	Totals
Number of Cases (Application Packets From Beginning Farmers and Asset Owners) See #1 below.	<i>5</i>	<i>20</i>	<i>20</i>	<i>45</i>
Number of Beginning Farmers Declared Eligible. See #2 below.	<i>2</i>	<i>14*</i>	<i>17*</i>	<i>33*</i>
Number of Asset Owners Declared Eligible. See #3 below.	<i>2</i>	<i>18*</i>	<i>18*</i>	<i>38*</i>
Number of Cases Declared Eligible.	<i>2</i>	<i>18</i>	<i>20</i>	<i>40</i>
Number of Cases Declared Ineligible.	<i>0</i>	<i>2</i>	<i>2</i>	<i>4</i>
Number of Cases In Pending.	<i>4</i>	<i>5</i>	<i>1</i>	<i>XXX</i>

1. Cases - An application packet that has been sent in with applications completed by the owner of agricultural assets and the beginning farmer who have signed a rental agreement for three years that qualifies for the tax credit.
2. Beginning Farmers - Each individual who is qualified as a beginning farmer is counted once. A beginning farmer may have more than one contract with one or more asset owners, but will still be counted only once.
3. Agricultural Asset Owner - Each individual, partnership or corporation who is qualified as an asset owner is counted once. An asset owner may have more than one contract with one or more beginning farmers, but will still be counted only once.

*An agricultural owner may rent to more than one beginning farmer and a beginning farmer may rent from more than one agricultural owner. Therefore, the number of owners and beginning farmers may not be the same.

Participant Statistics

As Reported for the Tax Year

Participation Per Tax Year	Tax Year 2001 Amount Paid	Tax Year 2002 Amount Paid	Tax Year 2003+ Contracted To Date
Total Tax Credits Rec'd By Owners.	\$ 26,586.51	\$ 46,678.61	\$ 65,780.26
Total Rent Paid By Beginning Farmers.	\$ 531,730.03	\$ 933,571.98	\$1,315,594.98
Average Tax Credit Rec'd. By Owner.	\$ 1,899.04	\$ 1,667.09	\$ 1,686.67
Average Rent Paid By Beginning Farmer.	\$ 40,902.31	\$ 38,898.83	\$ 38,693.97
Number of Owners Receiving Tax Credits. See # 1 Below.	14*	28*	39*
Number of Beginning Farmers Paying Rent. See # 2 Below.	13*	24*	34*
# of Cases per tax year. See #3 Below.	12	31	38

1. Agricultural Asset Owner - Each individual, partnership or corporation who is qualified as an asset owner is counted once. An asset owner may have more than one contract with one or more beginning farmers, but will still be counted only once.
2. Beginning Farmers - Each individual who is qualified as a beginning farmer is counted once. A beginning farmer may have more than one contract with one or more asset owners, but will still be counted only once.
3. Cases - An application packet that has been sent in with applications completed by the owner of agricultural assets and the beginning farmer who have signed a rental agreement for three years that qualifies for the tax credit.

+The numbers in this column will change due to the acceptance of additional applications that have been signed and dated prior to the end of the owner's 2002 tax year.

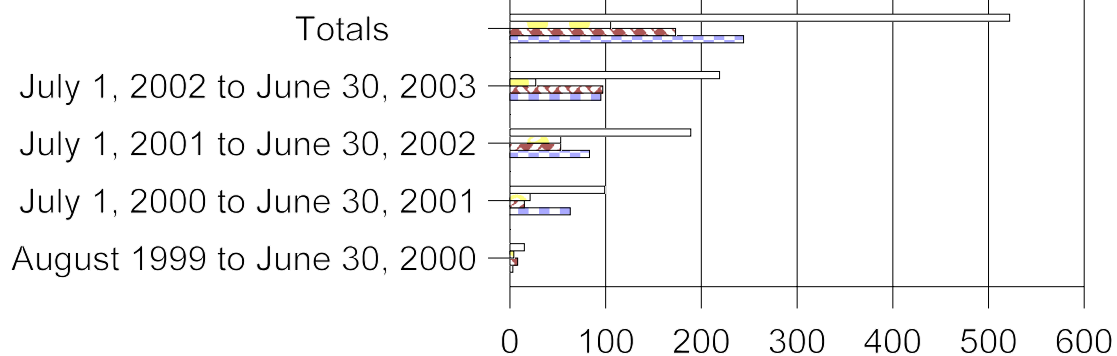
*An agricultural owner may rent to more than one beginning farmer and a beginning farmer may rent from more than one agricultural owner. Therefore, the number of owners and beginning farmers may not be the same.

Program Inquires

Number of Inquiries Made to the Beginning Farmer Program

Inquiries Made By:	August 1999 to June 30, 2000	July 1, 2000 to June 30, 2001	July 1, 2001 to June 30, 2002	July 1, 2002 to June 30, 2003	Totals
Beginning Farmers	3	63	83	95	244
Asset Owners	8	15	53	97	173
Organizations or Businesses	4	21	53	27	105
Yearly Totals	15	99	189	219	522

Inquiries



Promotional Activities

Outreach Activities

The National Farm Transition Network Annual Meeting was held in Sonoma, California, in July of 2002. The network membership includes various groups, agencies, and programs who provide education and services to promote the next generation of farmers and ranchers. Members from Nebraska who attended were Dave Goeller, University of Nebraska Cooperative Extension Beginning Farmer Program; Joy Johnson, Center for Rural Affairs; and Marian Beethe, Nebraska Department of Agriculture Beginning Farmer Program. The Nebraska delegation presented a program showcasing our beginning farmer programs and how we work together to form a collaborative approach to issues dealing with beginning farmers in our state. Other groups shared new program ideas and initiatives. Marian Beethe was a panelist for a round table discussion group exploring various fund raising and innovative ideas for beginning farmer programs. A workshop was presented on the use of protective land trusts to keep land in production agriculture rather than being swallowed up in urban sprawl.

The Beginning Farmer Display Booth was staffed by Marian Beethe at the following events and trade shows during this fiscal year. She also gave talks about the Beginning Farmer Program at the Nebraska Farm Exposition in Columbus, The Madison County Farm Show, and at the Farming: Blessed or Stressed Workshop in Syracuse, NE

- Husker Harvest Days in Grand Island, September 10-12, 2002
- Blessed or Stressed Workshop in Syracuse, NE, October 13, 2003.
- World Food Day at UNL East Campus, October 16, 2002
- Gateway Farm Exposition in Kearney, November 13-14, 2002
- Center For Rural Affairs Annual Meeting in South Sioux City, November 16, 2002*
- Nebraska Farm Bureau Convention, December 8-10, 2002, Kearney, NE
- Nebraska Farm Exposition in Columbus, January 14-15, 2003
- The Madison County Farm Show, January 29-30, 2003, Madison, NE
- The Butler County Agricultural Show was staffed by Joanne Komenda on February 11, 2003
- The Agricultural Resources for Farmers in Arapahoe, February 26, 2003
- 2003 Governor's Agricultural Conference in Kearney, March 5, 2003
- WIC/CSFP in Kearney, April 22, 2003
- NEBHANDS Conference, faith and Community Based Organizations, June 9-11, 2003 in Lincoln.

Outreach Activities, Continued:

The Beginning Farmer Task Force was formed to coordinate the promotion of the Beginning Farmer Programs through joint endeavors, a web site, a central phone number, educational programs, and by developing new ways to broaden the opportunities for beginning farmers. Members of the newly formed group are Bob Jedlicka, Nebraska Farm Service Agency; Joy Johnson, Center For Rural Affairs; Patricia Schuett Peterson, Kutak Rock LLP representing Nebraska Investment Finance Authority (NIFA); Dave Goeller, UNL Beginning Farmer Program; Paul Cernik, Nebraska Farm Service Agency; and Marian Beethe, Nebraska Department of Agriculture Beginning Farmer Program.

Marian Beethe and Joanne Koemenda gave information to the **2003 LEAD** participants about the Farm Mediation and Beginning Farmer Programs on November 6, 2002.

The Nebraska Department of Revenue held a series of seminars for tax preparers across the state. Dale Carter presented information and passed out the brochures on the Beginning Farmer Tax Credit Act and Program.

The Nebraska Department of Revenue and the Nebraska Department of Agriculture updated their web sites with new information on the Beginning Farmer Program.

Logo



The Logo was developed during the first year of the program to indicate the benefits of beginning farmers and owners of agricultural assets working together with their SHARED STRENGTH in agriculture to BUILD A FUTURE for themselves and Nebraska. It has been used on brochures, stationary, reports, trade show displays, etc. Most of the editors of the published news articles have chosen to include a copy of the logo with the story. The logo gives easy program identification.